

Sea Salt & Cinnamon: A Mock Loan Application

An Honors Thesis (HONR 499)

by

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Abstract

Most businesses have a need to borrow money in order to expand operations. Traditionally, a business will ask a bank or lending firm for the funds, but the process is much more complicated than it is for an individual. No template exists to follow. Similar to a business plan, owners must use current and projected information as evidence that they have a viable entity able to repay the borrowed funds. Using the financial situation of a local bakery named Sea Salt & Cinnamon, I created such a document. The purpose of the loan is to open a newly leased storefront with equipment and furniture, and the application is directed towards a lending firm in Anderson, Indiana called Bankable.

Acknowledgments

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Lastly, I have no words to fully express the gratitude I have for my parents, Drew and Sally. If there's any good seen in me or my accomplishments, it's because of them.

Small Business Owners:
Frank Reber, *The Caffeinery*
Chantell Kennedy-Shehan, *Simply Pure Sweets*

Financial Advisors:
Chad Shelley, *Mutual Bank*
Ann Joseph, *D.D. Williamson*
Esther Bryant, *Bankable*

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Process Analysis Statement

The fall semester of my senior year, I had a slot in my schedule for an elective. As a student in the business college, there are certainly many classes offered outside of my major that can be beneficial to my professional development. My logical side said to take another finance class to aid in my future career as an auditor, but my emotional side couldn't help skimming past the entrepreneurial courses. Something has always excited me about the risky and passionate people who create businesses. Eventually, the latter force won, and I signed up for MGT 241, the Entrepreneurial Experience.

The final project for this class involved identifying and interviewing an entrepreneur about the story of her business and the hurdles she has faced. The first person I thought of was Amanda Reninger, the owner of my favorite small business in Muncie—a vegan bakery called Sea Salt & Cinnamon. Her passion for her products amazed me. Her excitement excited me. When she told me about her need for funds to expand her business, I felt her ache. Accounting deals with analyzing historical events, whereas entrepreneurship is all about the future. As I thought more about Amanda's situation, I saw the opportunity to use accounting as a means of visualizing something that isn't here now.

Similar to Amanda's business, my thesis project started as an idea, which then dramatically changed several times before it became the final product that follows. Originally, the plan was to create a loan application in order to receive funds from a bank to buy a building for a new storefront. That plan changed the instant my advisor asked, "Why do you need to buy the building? You could just lease one." That stumped me—it was time to reevaluate. The new plan was for a bank loan to purchase the equipment and furniture in a leased space. That lasted a little longer before I learned businesses actually need quite a bit of cash before asking for more. I started to look at other ways to raise funds, specifically through crowdfunding and local investors. Then, the plan was to ask the bank for only about half of the funds needed and get the rest from other sources. The last major change came after meeting with a loan officer from a lending firm that specializes in small business loans. She told me that her firm was much more personal and lenient than a bank, and the likelihood of receiving funds from them was significantly higher.

The final product finally started taking form. I would create a mock small business loan application to give to a lending firm for equipment and furnishings to fill a newly leased storefront. I had no template and hardly any legitimate financial information from Sea Salt & Cinnamon. I did have 3.5 years of business school education and some incredibly patient and experienced advisors to assist me. It surprised me how much I was already able to do, but there were significantly more moments where I learned something completely new.

Making financial projections was one especially challenging task for me. As mentioned earlier, people in my desired field of work, auditing, deal primarily with historical information. I've never had to create my own income statement, balance sheet, or

statement of cash flows. The numbers had to balance and be reasonable, while also making the business appear solvent and sustainable. It tested my ability to separate my imaginations of a supremely efficient and profitable business with the reality of the traditionally low-margin industry. Even though the realistic results were hard to accept, I believe my project benefited from it.

One of the most rewarding parts of this assignment was a comment I received after the loan officer mentioned earlier reviewed my spreadsheets. She told me, "Your work is more thorough than most of my actual clients." This is likely because I simply have more interest in accounting than most entrepreneurs. Where most business owners feel more passionate about their operations, I get excited when all the balance sheets balance. Regardless, a comment from someone in her profession affirmed me in all the work that it took to get here.

The process and product truly reflect all my efforts not only over the past couple months, but my entire education. I am finally satisfied with the breadth and validity of my project and am genuinely excited to share it with others.